GREATER OKLAHOMA CITY CHAMBER [redacted] TULSA METRO CHAMBER

Dear Representative Dank:

The State Chamber of Oklahoma, the Greater Oklahoma City Chamber, and the Tulsa Metro Chamber would like to commend you for your leadership in reviewing the state's tax credits and economic incentives. The process you have established to examine the effectiveness of incentive programs has been an important and healthy undertaking for the well-being of the State of Oklahoma and its taxpayers.

With great interest, we have examined the nine principles you believe need to be included in any legislative reform package. After careful review with our impacted businesses and member organizations, our chambers would like to take this opportunity to provide you with our joint feedback on each of your proposed principles. Our comments are structured as areas of agreement, areas of agreement with additional considerations, and areas where we respectfully disagree.

Areas of Agreement

- We agree with the need for enforceable caps and limits on future tax credits, provided these caps are tailored to allow for the effective use of each incentive. We believe the discontinuation of open-ended tax credits will promote predictability in state budget processes and assist with administrative efficiency.

- We agree that future tax credits should be subjected to sunset provisions. We fully endorse your view of the proper role of the legislature as an oversight body that should review and rectify incentive programs after confirming their effectiveness.

- We generally agree with the principle that a variety of means for attracting business and jobs should be examined before the use of tax credits is considered. From our experience in job creation and economic development, no single type of incentive should ever be viewed as the "solution." It is prudent to consider, from a range of options, what best meets the needs of individual companies who want to invest and grow in Oklahoma.

- We agree that tax credits and economic incentives should be audited regularly by the legislature to ensure adherence to the original intent and purpose of the program.

Areas of Agreement with Additional Considerations

- We agree with the need for caution and skepticism with regard to the enactment of incentives as last minute legislative proposals without time for proper review. However, we feel the emerging practice in the legislature of holding open conference committee hearings should address the concern of transparency and serve to eliminate the need for a hard and fast rule. Additional recommendations from your task force, including requiring fiscal impact statements, should also alleviate concern over incentives passed in the final weeks of legislative session.

- We support the need for future tax credits to contain *possible* fiscal impacts to the state, which we believe are the most accurate (and practical) approach to measuring the cost to the taxpayer. Our concern arises from the fact that the actual fiscal impact to the state of non-transferable tax credits could range from $0 up to the total value of the tax credit based upon the project's scale and speed.

Areas of Disagreement

- We respectfully disagree that transferability is an inherently bad policy, and oppose the adoption of a blanket "no transferability" position. Our members have stressed to us the importance of transferability in making certain tax credits effective. For many firms, start-ups, or those using new technology, a non-transferable credit is not a valuable incentive: during a company's infancy, it may not generate income that would require the payment of state income tax – and therefore cannot use such credits to aid in its growth and development. However, we do acknowledge the need to approach this issue on a program-by-program basis – and would be pleased to work with you to create safeguards and claw backs, if necessary, for individual incentives.

- We respectfully disagree with the idea that any future credit must be explicitly designed to create or save jobs. Many economic incentives were not designed exclusively for job creation. On the contrary, we believe credits should be measured by the standard established in the Attorney General's opinion: a "public purpose" that provides an economic return to the State of Oklahoma. We would urge a broad understanding of "public purposes" capable of encompassing the diverse economic development strategies needed to build a successful 21st century economy, and allowing the state legislature – in its oversight capacity – to ensure this "public purpose" is beneficial to the State of Oklahoma.

- We are concerned about subjecting each individual tax credit to an additional layer of examination and approval outside that of the legislature. We feel the legislature is the most appropriate oversight mechanism for tax incentive policy, and that diverting such oversight to another body or agency would create unnecessary bureaucratic red tape and effectively politicize an issue that should rest upon the nature of the particular company, project, and decision-makers in each individual case.

Thank you for taking the time to consider our perspective on the important issue of tax credits and economic incentives. We would welcome the opportunity to meet with you to discuss this issue.

Respectfully yours,

Mike Neal
President/CEO, Tulsa Metro Chamber

Fred Morgan
President/CEO, State Chamber of Oklahoma

Roy Williams
President/CEO, Greater OKC Chamber

CC: State Rep. David Dank
State Sen. Mike Mazzei
Rep. Earl Sears (R-Bartlesville)
Sen. Clark Jolley (R-Edmond)
Rep. Scott Inman (D-Del City)
Sen. Sean Burrage (D-Claremore)
Preston Doerflinger, Director of the Office of State Finance
Ken Miller, State Treasurer
Glenn Coffee, Secretary of State
Gary Jones, State Auditor and Inspector